

TOWNSHIP OF JEFFERSON
(Hillsdale)
AUDIT REPORT

MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Township of Jefferson</u>		County <u>Hillsdale</u>
Audit Date <u>3/31/04</u>	Opinion Date <u>7/29/04</u>	Date Accountant Report Submitted to State: <u>9/15/04</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Bailey, Hodshire & Company, PC</u>			
Street Address <u>479 E Chicago St</u>	City <u>Jonesville</u>	State <u>MI</u>	ZIP <u>49250</u>
Accountant Signature <u>Bailey, Hodshire & Company, PC</u>			

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Bailey, Hodshire
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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Jefferson

We have audited the accompanying general purpose financial statements of the Township of Jefferson as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Jefferson, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Jefferson. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire & Company, PC

Jonesville, Michigan
July 29, 2004

TOWNSHIP OF JEFFERSON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

MARCH 31, 2004

	Governmental		Agency Funds		Account	Proprietary	Total
	Fund	Cemetery	Current	General	Group	Fund	(Memo)
	Type	Perpetual	Tax	Fixed			Only)
	General	Care and	Collection	Assets			
	Fund	Trust Fund	Fund				
ASSETS							
Cash and Investments	\$ 364,320	\$ 93,140	\$ 1,555	\$ 0	\$ 266,240	\$ 725,255	
Due From Other Funds	1,555	0	0	0	713	2,268	
Prepaid Expenses	6,595	0	0	0	2,861	9,456	
Delinquent Taxes and Accounts Receivable	6,016	0	0	0	17,505	23,521	
Investment in General Fixed Assets	0	0	0	685,891	0	685,891	
Property, Plant & Equipment - Net	0	0	0	0	1,653,835	1,653,835	
Total Assets	\$ 378,486	\$ 93,140	\$ 1,555	\$ 685,891	\$ 1,941,154	\$ 3,100,226	
LIABILITIES, CONTRIBUTIONS, FUND BALANCES, AND RETAINED EARNINGS							
Liabilities							
Current Liabilities:							
Accrued and Withheld Payroll Taxes	\$ 279	\$ 0	\$ 0	\$ 0	\$ 260	\$ 539	
Accrued Interest Payable	0	0	0	0	2,982	2,982	
Current Portion - Contract Payable	0	0	0	0	76,322	76,322	
Due to Other Funds	713	0	1,555	0	0	2,268	
Total Current Liabilities	\$ 992	\$ 0	\$ 1,555	\$ 0	\$ 79,564	\$ 82,111	
Long-term Liabilities:							
Contract Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,821	\$ 72,821	
Deferred Charges - Refunding Bonds	0	0	0	0	(10,033)	(10,033)	
Total Long-term Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,788	\$ 62,788	
Total Liabilities	\$ 992	\$ 0	\$ 1,555	\$ 0	\$ 142,352	\$ 144,899	
Contributions in Aid of Construction	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,674,391	\$ 1,674,391	
Fund Balances and Retained Earnings							
Investment in General Fixed Assets	\$ 0	\$ 0	\$ 0	\$ 685,891	\$ 0	\$ 685,891	
Unappropriated	377,494	93,140	0	0	124,411	595,045	
Total Fund Balances and Retained Earnings	\$ 377,494	\$ 93,140	\$ 0	\$ 685,891	\$ 124,411	\$ 1,280,936	
Total Liabilities, Contributions, Fund Balances, and Retained Earnings	\$ 378,486	\$ 93,140	\$ 1,555	\$ 685,891	\$ 1,941,154	\$ 3,100,226	

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Township Tax Levy	\$ 53,800	\$ 48,733	\$ (5,067)
Special Assessments	7,000	6,960	(40)
Mobile Home Fees	600	552	(48)
State Shared Revenue	235,000	222,005	(12,995)
Township Hall Rentals	2,500	2,900	400
Licenses and Fees	46,895	47,059	164
Interest & Dividend Earnings	10,000	10,639	639
Miscellaneous and Reimbursements	5,100	9,086	3,986
Land Division Fees	1,000	1,100	100
Contingency	<u>138,105</u>	<u>0</u>	<u>(138,105)</u>
Total Revenue	<u>\$ 500,000</u>	<u>\$ 349,034</u>	<u>\$ (150,966)</u>
EXPENDITURES			
Supervisor - Salary	\$ 8,208	\$ 8,208	\$ 0
Expenses	250	53	(197)
Assessor - Services	23,558	23,558	0
Expenses	3,500	2,168	(1,332)
Clerk - Salary	16,800	16,800	0
Expenses	3,377	2,978	(399)
Office Assistance	200	188	(12)
Deputy Clerk	3,827	4,000	173
Treasurer - Salary	18,589	18,589	0
Expenses	8,455	8,455	0
Office Assistance	200	159	(41)
Deputy Treasurer	2,764	2,764	0
Trustees	4,557	4,557	0
Board of Review	500	294	(206)
Printing and Publishing	1,000	0	(1,000)
Township Newsletter	500	177	(323)
Elections	8,000	3,277	(4,723)
Mobile Home Tax	550	393	(157)
Township Drains	2,000	1,322	(678)
Highways, Roads, and Bridges	129,971	129,971	0
Cemeteries	38,500	34,184	(4,316)
Fire Department	82,120	83,668	1,548
Street Lights	3,000	2,495	(505)
Libraries	5,000	5,000	0
Township Hall	8,617	7,733	(884)

(continued on next page)

TOWNSHIP OF JEFFERSON
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (concluded)
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
EXPENDITURES (continued)			
Audit Fees	\$ 3,000	\$ 2,800	\$ (200)
Legal Fees	2,500	2,009	(491)
Insurance and Bonds	8,759	7,838	(921)
Contingency Fund	10,026	0	(10,026)
Miscellaneous	600	361	(239)
Dues and Subscriptions	2,500	1,606	(894)
Solid Waste-Transfer Station and Recycling	67,072	55,861	(11,211)
Payroll Tax Expense	13,500	5,471	(8,029)
Ordinance Enforcement	1,000	75	(925)
Planning Commission	<u>17,000</u>	<u>14,323</u>	<u>(2,677)</u>
Total Expenditures	<u>\$ 500,000</u>	<u>\$ 451,335</u>	<u>\$ (48,665)</u>
Excess Revenue over (under)Expenditures	\$ 0	\$(102,301)	\$(102,301)
Fund Balance - April 1, 2003	<u>479,795</u>	<u>479,795</u>	<u>0</u>
Fund Balance - March 31, 2004	<u>\$ 479,795</u>	<u>\$ 377,494</u>	<u>\$(102,301)</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
PITTSFORD SANITARY SEWAGE DISPOSAL SYSTEM
(PITTSFORD SERVICE AREA AND BIRD LAKE SERVICE AREA)
FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUE	
Sewer Use Fees	<u>\$ 130,264</u>
OPERATING EXPENSES	
Wages and Payroll Taxes	\$ 32,743
Administration Expense	1,899
Outside Service	1,558
Utilities	2,205
Operating Supplies and Maintenance	20,201
Insurances	8,041
Office Expenses	1,036
Professional Fees	1,145
Depreciation	68,492
Transfers to Township of Pittsford	18,259
Repairs and Maintenance	<u>375</u>
Total Operating Expenses	<u>\$ 155,954</u>
Operating Income	\$ (25,690)
Non-Operating Income (Expense)	
Interest & Dividend Income	\$ 5,844
Special Assessment Revenue	26,248
Miscellaneous Income	3,220
Miscellaneous Expense	(479)
Interest Expense and Fees	<u>(11,075)</u>
Total Non-Operating Income (Expense)	<u>23,758</u>
Net Income	\$ (1,932)
Retained Earnings - April 1, 2003	<u>126,343</u>
Retained Earnings - March 31, 2004	<u><u>\$ 124,411</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED MARCH 31, 2004

	Proprietary Fund Type Sewage Disposal System	Fiduciary Fund Type Cemetery Trust	Total (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income(Loss)	\$ (1,932)	\$ 2,886	\$ 954
Adjustments to Reconcile Net Income to Net Cash Flows From Operating Activities:			
Depreciation & Amortization Expense	72,174	0	72,174
Changes in Assets and Liabilities:			
Increase in Receivables	(223)	0	(223)
Increase in Prepaid Expenses	(474)	0	(474)
Decrease in Accrued Payroll Taxes	(43)	0	(43)
Decrease in Accrued Interest Payable	(1,181)	0	(1,181)
Decrease in Contract Payable	<u>(60,917)</u>	<u>0</u>	<u>(60,917)</u>
Net Cash Provided From (Used For) Operating Activities	\$ <u>7,404</u>	\$ <u>2,886</u>	\$ <u>10,290</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES AND RELATED ACTIVITIES			
Investments Cashed	\$ 37,704	\$ 0	\$ 37,704
Investments Purchased	<u>(53,709)</u>	<u>0</u>	<u>(53,709)</u>
Net Cash From Investment Activities	\$ <u>(16,005)</u>	\$ <u>0</u>	\$ <u>(16,005)</u>
NET INCREASE (DECREASE) IN CASH	\$ (8,601)	\$ 2,886	\$ (5,715)
CASH - April 1, 2003	<u>95,945</u>	<u>90,254</u>	<u>186,199</u>
CASH - March 31, 2004	<u><u>\$ 87,344</u></u>	<u><u>\$ 93,140</u></u>	<u><u>\$ 180,484</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Township of Jefferson comprises a population of approximately 3,141 and had a 2003 total taxable valuation of approximately \$59,653,718. It is governed by a board consisting of 5 members with a supervisor as its head. As required by generally accepted accounting principles, these financial statements present all fund types and account groups that are controlled by or dependent on the Township Board of Trustees. Accordingly, this report does not include the financial statements of the Pittsford-Jefferson Fire Department which operates autonomously under a service agreement with Pittsford Township.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Township of Jefferson are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Enterprise Funds - Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Only Financial Accounting Standards Board statements issued prior to November 30, 1989 have been applied to the proprietary funds.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Group of Accounts - This account group presents fixed assets of the Township utilized in its general operations.

Total columns on the combined statements are captioned "memo only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; therefore, it is not comparable to a consolidation.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The general fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when it is "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Property taxes, State revenue sharing, interest, and special assessments are susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the Township and are recognized as revenue at that time.

The Proprietary Fund (Sewage Disposal System) utilizes the full accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time the liability is incurred.

The Tax Collection and Cemetery Perpetual Care Funds use the cash basis which recognizes revenue when it is received in cash and expenses when the outlay of cash is made.

Budgetary Data

The Township adopted a budget for the General Fund on the modified accrual basis. Once approved, the Township Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year-end. The amended budget is presented in these financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Liabilities, and Fund Equity

Cash and investments are reported at cost.

Fixed assets are accounted for at cost, or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Governmental fund fixed assets are recorded in the General Fixed

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Account Group and are not depreciated. Proprietary fund fixed assets are recorded in the Sewer Fund and are depreciated using the straight-line method. The Township has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the Township government.

Revenue, Expenditures, and Expenses

Property tax revenue is normally recognized in the amount of taxes levied.

2. CASH AND INVESTMENTS

Following are the components of the Township's bank deposits at March 31, 2004:

Checking and Savings Accounts	\$ 258,040
Certificates of Deposit	<u>388,279</u>
Total	<u>\$ 646,319</u>

The carrying amount of the Township's bank deposits was \$646,319 and the bank's balance was \$651,018 at March 31, 2004. Of the total bank balance, \$387,995 was covered by federal depository insurance and \$263,023 was uninsured. The Township's investments are categorized in the following table to give an indication of the level of custodial risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank or dealer, or by its trust department or agent but not in the Township's name.

	<u>GASB Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>Amount</u>	<u>Value</u>
Certificates of Deposit	\$ 388,279	0	0	\$ 388,279	\$ 388,279
Investments not subject to categorization:					
Cash Management Trusts - County National Bank				<u>78,896</u>	<u>78,896</u>
Total Investments				<u>\$ 467,175</u>	<u>\$ 467,175</u>

State statutes authorize the Township to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; (d) United States government or Federal agency obligation repurchase agreements; (e) banker's acceptance of United States banks; (f) obligations

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

2. CASH AND INVESTMENTS (continued)

of the state of Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service; (g) mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for investment by a public corporation; (h) obligations described above if purchased through an interlocal agreement under the Urban Cooperations Act of 1967; (i) investment pools organized under the Surplus Funds Investment Pool Act, 1982; (j) investment pools organized under the Local Government Investment Pool Act, 1985. As of March 31, 2004, the Township's investments are in accordance with statutory authority.

3. PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2003 was .8199 mills all allocated to General Fund. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the county treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	\$ 27,403	\$ 7,650	\$ 0	\$ 35,053
Buildings and Improvements	302,417	7,510	0	309,927
Equipment	<u>340,911</u>	<u>0</u>	<u>0</u>	<u>340,911</u>
	<u>\$ 670,731</u>	<u>\$ 15,160</u>	<u>\$ 0</u>	<u>\$ 685,891</u>

5. SUMMARY OF PROPRIETARY FUND FIXED ASSETS

A summary of changes in proprietary fund fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land	\$ 76,970	\$ 0	\$ 0	\$ 76,970
Buildings and Improvements	2,456,183	0	0	2,456,183
Equipment	<u>41,742</u>	<u>0</u>	<u>0</u>	<u>41,742</u>
	<u>\$2,574,895</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$2,574,895</u>

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

5. SUMMARY OF PROPRIETARY FUND FIXED ASSETS (continued)

<u>Description</u>	<u>Depreciable Amount</u>	<u>Depreciation Life - Years</u>	<u>Method</u>
Land	\$ 76,970	N/A	N/A
Plant and Equipment	2,456,183	20 - 40 Years	St. Line
Machinery and Equipment	<u>41,742</u>	5 - 10 Years	St. Line
Total Cost	\$ 2,574,895		
Less: Accumulated Depreciation	<u>(921,060)</u>		
Net Carrying Amount	<u>\$ 1,653,835</u>		

Total depreciation expense for the year was \$68,492

6. UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

7. SEWAGE DISPOSAL SYSTEM

The "Bird Lake Sanitary Sewage Disposal System" and the "Bird Lake Service Area" were created by Ordinance No. 4 in May of 1985. The ordinance provided for the creation and operation of a sanitary sewer system in conjunction with the Township of Pittsford for the benefit of area residents. During the 1987-88 year, other ordinances were passed which provided for the sewer system to be named the "Pittsford Sanitary Sewage Disposal System." These ordinances also provided for the imposition, collection, and enforcement of fees and charges for connection, required sewers for occupied premises, and other matters relative to the system.

In April, 1988, bonds were sold to provide funds for construction of the sewage disposal system. The total estimated construction cost was approximately \$3,819,000 and after considering federal grants and other money to be received of \$2,544,000 a bond issue for \$1,275,000 was offered by the County of Hillsdale Board of Commissioners. The bonds were issued pursuant to the Provisions of Act 185 Public Acts of Michigan, 1957 as amended and by resolution of the County.

Due to favorable interest rates, the Townships decided to refinance the outstanding bonds with a new bond issue on February 1, 1996. The Townships of Pittsford and Jefferson are obligated to repay these bonds plus interest pursuant to an existing contract with the County dated January 1, 1988. The final contractual obligation for payment of principal and interest on a percentage basis is as follows: Township of Jefferson 70.02% and Township of Pittsford 29.98%. Reference should be made to the underlying documents and Hillsdale County records for further details.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

7. SEWAGE DISPOSAL SYSTEM (continued)

A summary of changes in long-term debt (Jefferson Township share) for the year ended March 31, 2004, follows:

1997 Bond Issue

Amount of Original Contract	Maturity Date	Range of Interest Rates	Balance 4/1/03	Issued	Retired	Balance 3/31/04
\$ 630,880	2005	4.00%-4.85%	\$ 210,060	\$ 0	\$ 60,917	\$ 149,143

The annual debt service requirements to maturity for bonded debt as of March 31 (Jefferson Township share) are as follows:

	Principal Due May 1	Interest Rate	Interest Due May 1	Interest Due November 1	Total Remaining Principal & Interest Requirements
Year					
2004	\$ 76,322	4.750%	\$ 3,579	\$ 1,766	\$ 81,667
2005	<u>72,821</u>	4.850%	<u>1,766</u>	<u>0</u>	<u>74,587</u>
	<u>\$ 149,143</u>		<u>\$ 5,345</u>	<u>\$ 1,766</u>	<u>\$ 156,254</u>

Note: The current ratios developed for interest and principal payments are:

Jefferson Township	70.02%
Pittsford Township	<u>29.98%</u>
	<u>100.00%</u>

8. SEGMENT INFORMATION - ENTERPRISE FUND

Segment information on the Sewage Disposal System for the year ended March 31, 2004, is as follows:

Operating Revenue	\$ 130,264
Amortization - Refunding Costs	3,682
Depreciation Expense	64,492
Net Income (Loss)	(1,932)
Property, Plant and Equipment Additions	0
Net Working Capital	207,755
Total Assets	1,941,154
Contract Payable	149,143
Total Equity	1,798,802

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payables balances as of March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 1,555	Current Tax	\$ 1,555
Sewage Disposal System	<u>713</u>	General	<u>713</u>
	<u>\$ 2,268</u>		<u>\$ 2,268</u>

10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages and there has been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

11. JOINT VENTURE

The Township is a participant in a joint venture agreement with the Township of Pittsford for the operation of Pittsford Jefferson Fire Department. Each Township appoints two members of the five-member Fire board which oversees the operations. The interest and liability of the Townships in all assets and liabilities of the fire department are joint and equal. Fire service may be provided to other governmental units on a contract basis. Each Township's percentage share of the annual operating and maintenance expenses shall be determined by dividing the number of Sections within that Township which are receiving fire department services by the total number of Sections in all Townships receiving said services. Complete separate financial statements may be obtained at the Jefferson Township Hall.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF JEFFERSON
BALANCE SHEET
GENERAL FUND
MARCH 31, 2004

ASSETS

Cash		
Petty Cash	\$ 40	
Checking Account	5,735	
Savings and Certificates of Deposits	<u>358,545</u>	\$ 364,320
Due from Current Tax Collection Fund		1,555
Prepaid Expenditures		6,595
Delinquent Taxes Receivable		<u>6,016</u>
Total Assets		<u>\$ 378,486</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Due to Sewer Fund	\$ 713	
Payroll Taxes Payable	<u>279</u>	
Total Liabilities	\$ 992	
Fund Balance		<u>377,494</u>
Total Liabilities and Fund Balance		<u>\$ 378,486</u>

TOWNSHIP OF JEFFERSON
STATEMENT OF CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

Fund Balance - April 1, 2003		\$ 479,795
Less: Excess of Expenditures over Revenue		
Revenue	\$ 349,034	
Expenditures	<u>(451,335)</u>	<u>(102,301)</u>
Fund Balance - March 31, 2004		<u>\$ 377,494</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
BALANCE SHEET
TRUST AND AGENCY FUND
CEMETERY PERPETUAL CARE AND TRUST FUND
MARCH 31, 2004

ASSETS

Cash in Bank - Savings and Certificates of Deposit	\$ 93,140
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FUND BALANCE

Fund Balance	<u>\$ 93,140</u>
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TOWNSHIP OF JEFFERSON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
TRUST AND AGENCY FUND
CEMETERY PERPETUAL CARE AND TRUST FUND
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Grave Sites & Opening Fees	\$ 1,400
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Interest Earned	<u>1,486</u>
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Total Receipts	\$ 2,886
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DISBURSEMENTS

Office Expense	<u>0</u>
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Excess of Receipts over Disbursements	\$ 2,886
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Fund Balance - April 1, 2003	<u>90,254</u>
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Fund Balance - March 31, 2004	<u>\$ 93,140</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
ASSETS				
Cash	\$ 1,754	\$ 1,415,196	\$ 1,415,395	\$ 1,555
Total Assets	<u>\$ 1,754</u>	<u>\$ 1,415,196</u>	<u>\$ 1,415,395</u>	<u>\$ 1,555</u>
LIABILITIES				
Due to Other Funds	\$ 1,754	\$ 99,746	\$ 99,945	\$ 1,555
Due to County	0	626,887	626,887	0
Due to Schools	0	676,662	676,662	0
Due to Others	<u>0</u>	<u>11,901</u>	<u>11,901</u>	<u>0</u>
Total Liabilities	<u>\$ 1,754</u>	<u>\$ 1,415,196</u>	<u>\$ 1,415,395</u>	<u>\$ 1,555</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
BALANCE SHEET
PITTSFORD SANITARY SEWAGE DISPOSAL SYSTEM
(PITTSFORD SERVICE AREA AND BIRD LAKE SERVICE AREA)
MARCH 31, 2004

ASSETS

Current Assets

Cash and Investments

Checking \$ 87,344

Cash Management Fund 78,896

Certificates of Deposit 100,000

Delinquent Taxes and Accounts Receivable 17,505

Due From General Fund 713

Prepaid Expenses 2,861

Total Current Assets \$ 287,319

Fixed Assets

Property, Plant, and Equipment \$ 2,497,925

Less: Accumulated Depreciation (921,060)

Land 76,970

Total Fixed Assets - Net 1,653,835

Total Assets \$ 1,941,154

LIABILITIES, CONTRIBUTIONS, AND RETAINED EARNINGS

Current Liabilities

Withheld Payroll Taxes \$ 260

Accrued Interest Payable 2,982

Current Portion - Contract Payable 76,322

Total Current Liabilities \$ 79,564

Long-Term Liabilities

Contract Payable - County of Hillsdale \$ 72,821

Deferred Charges - Refunding Bonds (10,033)

Total Long-Term Liabilities 62,788

Total Liabilities \$ 142,352

Contributions in Aid of Construction 1,674,391

Retained Earnings 124,411

Total Liabilities, Contributions, and Retained Earnings \$ 1,941,154

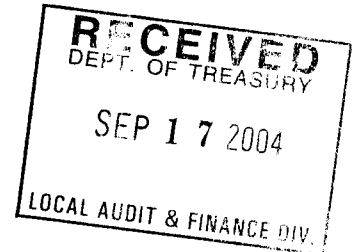
The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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July 29, 2004



To the Supervisor and Members of the
Jefferson Township Board
Osseo, MI 49266

As a result of our audit of the Township financial statements for the year ended March 31, 2004, we would like to make the following comments and recommendations:

1. The Township needs to establish a formal capitalization policy. Only purchases of capital assets over this level should be coded to capital outlay accounts.
2. As noted in previous audits, in June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments (Statement). The general provisions of GASB No. 34 must be implemented by the Township of Jefferson for the fiscal year ending March 31, 2005. In order to prepare for this change in financial presentations, the Township needs to conduct an appraisal of its fixed assets (land, building, and equipment). This appraisal should be completed on or before March 31, 2004, so the beginning balances are known for the 2004-2005 fiscal year. It is our understanding that your insurance carrier is offering this appraisal service at no charge to its clients, so we recommend that they be contacted as soon as possible.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.

Bailey, Hodshire & Company, P.C.
Certified Public Accountants